

Message Text

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ACTION AGRE-00

INFO OCT-01 ARA-06 EA-07 ISO-00 FEA-01 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 0035

INFO USLO PEKING

AMCONSUL HONG KONG

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DEPARTMENT PASS USDA/FAS FOR GRAIN & FEED AND OILSEEDS FCA

E.O. 11652: N/A

TAGS: EAGR, AR, CH

SUBJECT: ARGENTINE SALES OF WHEAT AND SOYBEANS

REF: (A) HONG KONG 4013, (B) PEKING 0711, (C) PEKING 0719

1. AGRICULTURAL ATTACHE HAS REVIEWED ARGENTINE WHEAT SALE SITUATION TO PRC WITH MAJOR TRADING FIRMS AND CONCLUDES THAT FIRM CONFIRMED SALES INCLUDE 200,000 TONS SOLD BY JUNTA, 100,000 TONS SOLD BY NIDERA AND MOST RECENT 100,000 TONS SOLD BY FINAGRAIN. THE RUMOR EXISTS LOCALLY THAT DREYFUS HAS SOLD BETWEEN 200,000 AND 400,000 TONS OF ARGENTINE WHEAT TO PRC, BUT LOCAL OFFICE CONTINUES TO DENY THAT IT HAS SOLD ANY WHEAT TO PRC ALTHOUGH IT COMMENTS THAT IT IS AWARE THAT CHINESE MAYBE LOOKING FOR ADDITIONAL QUANTITIES OF ARGENTINE WHEAT. ONE OTHER TRADE SOURCE WITH CLOSE PRC CONTACTS ALSO THINKS THAT IF DEAL WITH DREYFUS HAS NOT BEEN MADE, CHINESE MAY STILL BE INTERESTED IN ADDITIONAL QUANTITIES OF ARGENTINE WHEAT. NIDERA
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(NOT REPEAT NOT TO BE DISCLOSED) CLAIMS THAT IT REJECTED LATEST BID BY PRC TO PURCHASE ARGENTINE WHEAT AND THIS COULD BE REASON FOR PURCHASE OF WHEAT FROM FINAGRAIN. THEY THINK FINAGRAIN CONTRACT IS FOR 200,000 TONS OPTIONAL US AND/OR ARGENTINA AND THAT SECOND 100,000 TONS WILL BE US WHEAT. LOCAL CONTINENTAL OFFICE DID NOT COMMENT ON THIS, BUT ON A CONFIDENTIAL BASIS CONFIRMED SALE OF 100,000 TONS OF WHEAT BY FINAGRAIN TO PRC.

2. UNDER NO CIRCUMSTANCES SHOULD ABOVE COMPANY NAMES BE DISCLOSED AND THEY ARE ONLY USED HERE TO HELP SORT OUT WHO SOLD WHAT TO WHOM. IF FAS/W DESIRES TO MAKE A STATEMENT FOR PUBLICATION, IT COULD BE SAID THAT ARGENTINE WHEAT SALES TO PRC TOTAL AROUND 400,000 TONS, BUT COULD GO UP TO AS HIGH AS 800,000 TONS ACCORDING TO CURRENT MARKET RUMORS.

3. AGATT SERIOUSLY DOUBTS THAT SALES WILL REACH THE LATTER FIGURE. SALES DECLARATIONS OF BREAD WHEAT TOTALED 4.5 MILLION TONS BEFORE THEY WERE HALTED AND DURUM DECLARATIONS ARE AROUND 265,000 TONS FOR A TOTAL OF 4.8 MILLION TONS OF EXPORT SALES COMMITMENTS BY THE PRIVATE TRADE AND A GRAND TOTAL OF 6.0 MILLION TONS WHEN BILATERAL AND DIRECT GRAIN BOARD SALES ARE INCLUDED. WITH DOMESTIC DISAPPEARANCE PUT AT 4.7 MILLION TONS, THIS MEANS TOTAL OF 10.7 MILLION TONS AS AGAINST CROP ESTIMATE OF 11.2 MILLION TONS AND A MARGIN TOO CLOSE FOR COMFORT GIVEN UNRELIABILITY OF ARGENTINE CROP STATISTICS. THE POSSIBILITY REMAINS THAT WITHIN EXPORT SALES DECLARATIONS THERE ARE STILL LONG POSITIONS AND SOME TRADE CONTACTS PLACE THE MAXIMUM LONG POSITIONS AT 500,000 TONS. THIS MATTER OF LONGS VIS-A-VIS SALES DECLARATIONS SHOULD NOT, HOWEVER, BE DISCUSSED AS UNDER THE REGULATIONS GOVERNING SALES DECLARATIONS ONLY FIRM SALES ARE SUPPOSED TO BE DECLARED ALTHOUGH IT IS A COMMON PRACTICE FOR THE TRADE TO TAKE LONG POSITIONS ESPECIALLY WHEN THEY FEEL THAT PRICES MAY INCREASE, THE MINIMUM EXPORT PRICE OR INDEX VALUE MAYBE INCREASED OR AS RECENTLY HAPPENED, SALES DECLARATIONS WILL BE CLOSED.

4. THE WASHINGTON DATED LINE AFP REPORT RELATIVE TO THE USDA LIMITED OFFICIAL USE

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STATEMENT THAT THE PRC HAS REQUESTED OFFERS OF UP TO 1.5 MILLION TONS OF ARGENTINE WHEAT AND 500,000 TONS OF CANADIAN WHEAT WAS ALSO CARRIED IN THE LOCAL PRESS AND INITIALLY FELT HERE TO HAVE BEEN SOME SORT OF A TRANSMISSION ERROR. SINCE PEKING RECEIVED SIMILAR REPORT (PEKING 0711) THIS POST WOULD ALSO APPRECIATE USDA COMMENTS.

5. WITHOUT ANY PUBLIC ANNOUNCEMENT, EFFECTIVE ABOUT MARCH 30 THE GRAIN BOARD SET A 500,000 TONS QUOTA FOR THE EXPORT OF SOYBEANS FROM THE 1977 CROP VERSUS A QUOTA OF 150,000 TONS FOR 1976 CROP BEANS. ACCORDING TO TRADE SOURCES, THE 500,000 TON QUOTA IS FOR ALL PRACTICAL PURPOSES ALREADY FILLED AND THAT APPLICATIONS FOR SALES DECLARATIONS PROBABLY EXCEED 500,000 TONS, BUT THE TRADE DOES NOT FEEL THAT ADDITIONAL QUOTA WILL BE GRANTED AT THIS TIME. ACCORDING TO TRADE SOURCES THE TWO PRINCIPAL FIRMS THAT HAVE BOOKED THE SOYBEAN QUOTA ARE SASETRU AND CONTINENTAL (FIRM NAMES SHOULD NOT TO BE DISCLOSED) WHEN PRESSED, THE TRADE DOES NOT FEEL THAT THESE LARGE SALES DECLARATIONS OF SOYBEANS ARE RELATED TO THE RECENT REPORT OF

SOYBEANS PURCHASES BY THE PRC, BUT ARE BASICALLY SPECULATION AND RELATED TO THE GENERAL UNCERTAINTY OVER U.S. SOYBEAN EXPORTS. ALSO, THE ANNOUNCEMENT OF THIS YEAR'S QUOTA CAME BEFORE THE U.S. HARVEST AND THEREFORE AT AN OPPORTUNE TIME WHEREAS LAST YEAR QUOTA WAS RELEASED AT THE TIME OF THE U.S. HARVEST. THE GRAIN BOARD HAS ADJUSTED ITS REGULATIONS SO THAT SOYBEANS CAN ENTER THE EXPORT ELEVATORS WITH IDENTITY NOT PRESERVED OR UNDER CONDITIONS SIMILAR TO THOSE FOR ALL GRAINS. THEREFORE, ARGENTINE SOYBEANS WILL PROBABLY BE SOLD ON AN FAQ BASIS, BUT IT APPEARS THAT THEY WILL BE DISCOUNTED RELATIVE TO BRAZILIAN BEANS DUE TO LOWER OIL CONTENT. THE AVERAGE OIL CONTENT IS PLACED AT 17.0/17.5 PERCENT WHICH IMPLIES A YIELD OF 16.0/16.5 PERCENT OF OIL OR EVEN SLIGHTLY LESS. THE ABOVE DISCUSSIONS VIS-A-VIS THE SOYBEAN SALES DECLARATIONS BEING SPECULATIVE SHOULD NOT BE RELEASED, AS IN THE CASE OF WHEAT, DECLARATIONS IN THE ABSENCE OF FIRM EXPORT SALES ARE CONTRARY TO THE SPIRIT OF THE DECLARATIONS REGULATIONS. LIMITED OFFICIAL USE

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Message Attributes

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Disposition Comment: 25 YEAR REVIEW
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